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Dependent Care Assistance Account: Eligible Dependents and Eligible Expenses

Eligible Dependents

- Your child age 12 or younger of whom you have custody and for whom meets the qualifications under code 152*. For children of divorced or separated parents, only the parent with custody (rights to claim the child for tax purposes) can consider the child an eligible dependent under this plan, they must meet the qualifications under code 152*.
- Your child of any age who is physically or mentally unable to care for him/herself, even if he/she does not entitle you to a deduction on your federal tax return.
- Your spouse or qualifying relative who is physically or mentally unable to care for him/herself, even if he/she does not entitle you to a deduction on your federal tax return, and who satisfies the income test of \$3,200 for 2005.

Eligible Dependent Care Expenses

The following types of care are reimbursable from this plan:

- Care provided inside or outside your home by anyone other than: your spouse, a person you list as your dependent for income tax purposes, or one of your children under age 19.
- If your dependent is in Kindergarten or higher (through age 12), the cost of schooling must be separated from the cost of care.
- If your dependent is under Kindergarten and the cost of care and the cost of schooling can be separated, then only the cost of care is reimbursable. However, if the cost of schooling is incident to and cannot be separated from the cost of care, the total cost is reimbursable.
- A dependent care center or child care center (if the center cares for more than six children, it must comply with all applicable state and local regulations).
- A housekeeper, au pair or nanny whose services include, in part, providing care for a qualifying dependent.
- Day care costs while in day camps; overnight camp costs are not reimbursable.

Please Note:

- To qualify for reimbursement, you must provide your dependent care provider's tax ID number or Social Security number on your federal tax return (IRS form 2441). If you fail to provide this information, your DCSA reimbursements may not be eligible and may be reclassified as taxable income by the IRS.
- You are responsible for making sure that the expenses you submit for reimbursement are considered eligible expenses by the IRS. If you are not sure whether an expense is eligible, contact EBS Customer Service or refer to IRS Publication 503: "Child and Dependent Care Expenses." This publication is available by calling the IRS at 800-829-3676 or through the IRS website in the Forms and Publications section.

*Definition of Dependent under Code 152

The Working Families Tax Relief Act of 2004 changed the definition of dependent for various purposes. Prior to the change, to qualify as a dependent under 152 there were two tests that had to be met; Relationship (or residency if no relationship) and support (the taxpayer provided over half of his or her support). After WFTRA they combined code 151 with 152 and split it into two categories "Qualifying Child" and "Qualifying Relative". Each has four qualifications that need to be met in order to now be a dependent under code 152. Below are the tests that need to be met:

"Qualifying Child"

1. Relationship Test - The child must be the taxpayer's child, brother/sister (including half-blood), stepbrother/sister, or a descendant of any such person. Legally adopted and foster child included.
2. Residency Test - The child must have the same principal place of abode as the taxpayer for more than one half of the taxable year.
3. Age Test - The child must not have attained age 19 (age 24 if a student) as of the close of the calendar year in which the taxpayer's taxable year begins.
4. Limited Self Support Test - The child must not have provided over half of his or her own support during the calendar year in which the taxpayer's taxable year begins.

"Qualifying Relative"

1. Relationship Test - Child (or descendant), brother/sister, step brother/sister, parent (step or ancestor), niece/nephew, uncle/aunt, in-laws, or an individual who for the taxable year (1) has the same principal place of abode as the taxpayer, and (2) is a member of the taxpayer's household, as long as it does not violate local law.
2. Income Test - The individual's gross income for the calendar year in which the taxpayer's taxable year begins must be less than \$3200 for 2005.
3. Support Test - The individual generally must have received over half of his or her support from the taxpayer during the calendar year in which the taxpayer's taxable year begins.
4. Not anyone's "Qualifying Child" Test - The individual cannot be a qualifying child of the taxpayer or any other taxpayer.